

WATER/DON/HJL:jlj

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

WATER DIVISION

RESOLUTION NO. W-4383

April 3, 2003

R E S O L U T I O N

**(RES. W-4383), CALIFORNIA WATER SERVICE COMPANY
(CWSC), BAKERSFIELD DISTRICT. ORDER AUTHORIZING A
RATE BASE OFFSET REVENUE INCREASE OF \$1,894,396 OR
2.77% ADDITIONAL ANNUAL REVENUE.**

SUMMARY

By Advice Letter No. 1541, filed March 4, 2003, CWSC seeks to increase rates to reflect an increase in rate base for the second phase of the Northeast Bakersfield Water Supply Project (NBWSP). This resolution grants CWSC's request for authority to increase rates by \$1,894,396 or 2.77% to cover increased carrying costs associated with the capital invested through December 2002 on the project. The increase will not result in a rate of return greater than last authorized for CWSC's Bakersfield District.

BACKGROUND

CWSC filed this advice letter in accordance with Decision (D.) 01-08-039 Ordering Paragraph 6 which authorized CWSC "to file advice letters seeking to recover in rates the reasonable costs of the capital additions specified in the stipulation for the Bakersfield and South San Francisco Districts.

Section 7.05 of the stipulation approved in D.01-08-039 states, in part:

"....the Parties agree that CWSC should be authorized to file three advice letters for the revenue requirement associated with the incremental cost of the treatment plant, including labor, operating expenses, and interest during construction (IDC). Furthermore, the Parties agree that one advice letter may be filed in 2002, a second in 2003, and the third after the treatment plant is in

service. Moreover, for the advice letters only, the capital costs should be limited to \$31.0 million, not including IDC. ...”

CWSC is constructing a large state-of-the-art micro filtration water treatment plant in northeast Bakersfield to improve water quality and augment water supply. This request is the second to be filed in compliance with D.01-08-039 to recover capital investment costs and incremental operating costs for the new facility. Completion is expected in mid-2003.

The current rates were established on January 1, 2003, pursuant to Advice Letter No. 1520 that authorized a step rate increase of \$1,317,300 or 2.8%.

DISCUSSION

CWSC indicates that its Bakersfield District will be severely impacted by the new state and federal standards for arsenic, with an expected loss of ten to fifteen million gallons of daily groundwater supply. In addition, the district is growing, and needs new sources to ensure that Bakersfield District can meet its future water supply needs. The California Department of Health Services’ Drinking Water Field Operations Branch has verified the above information with the Commission’s Water Division (Division).

The NBWSP authorized in D.01-08-039 will improve water quality and supply for the 57,000 customers in CWSC’s Bakersfield District by allowing CWSC to substitute surface water for groundwater. CWSC is constructing, in cooperation with the City of Bakersfield, a twenty million gallon per day micro filtration water treatment plant and associated facilities to deliver water to customers.

The advice letters (AL 1513 and AL 1541) show that CWSC has expended \$20,971,210 as of December 31, 2002, out of the limit for the advice letters of \$31,000,000 plus interest during construction. Because the work is still in progress, depreciation has not been added to the revenue requirement. While CWSC is allowed to request additional operating costs of the new facilities, none are expected to occur until later this year.

The Division analyzed CWSC’s request, supporting workpapers, and supplementary data, and concurred with CWSC’s estimates.

At the proposed rates, the monthly bill for a 5/8 x 3/4-inch metered customer using 27 Ccf (One Ccf is equal to one hundred cubic feet) of water will increase by \$1.59 from \$32.60 to \$34.19.

CWSC is currently earning a rate of return of 7.83% on a recorded basis and 9.25% on a pro forma basis, which is above its adjusted authorized rate of return of 9.17%. This earning over the pro-forma limit resulted in a \$91,200 reduction in CWSC's attrition filing. The increase in this resolution should not be affected.

SERVICE NOTICE AND PROTESTS

Notice of the proposed rate increase was published in a local paper in the same manner as required for a formal application. No protests were received. Service is satisfactory.

COMPLIANCE

There are no outstanding Commission orders requiring system improvements.

The utility has been filing annual reports as required.

FINDINGS AND CONCLUSIONS

1. CWSC was authorized to file the advice letter for the revenue requirement associated with the incremental cost of the treatment plant by Decision 01-08-039.
2. CWSC filed this advice letter in compliance with Decision 01-08-039.
3. After investigation by Division, the rates contained in Advice Letter 1541 are reasonable and should be approved.

THEREFORE IT IS ORDERED THAT:

1. California Water Service Company, Bakersfield District, is authorized to make effective the revised rate schedules BK-1, General Metered Service, and BK-2R, Residential Flat Rate Service, attached to Advice Letter No. 1541 and concurrently to cancel its presently effective rate schedules. The effective date

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of the revised rate schedules shall be five days after the effective date of this resolution.

2. This resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed, and adopted at a conference of the Public Utilities Commission of the State of California held on April 3, 2003; the following Commissioners voting favorably thereon.

WILLIAM AHERN
Executive Director

MICHAEL R. PEEVEY
President
CARL W. WOOD
LORETTA M. LYNCH
GEOFFREY F. BROWN
SUSAN P. KENNEDY
Commissioners